

# **Algonac Community Schools**

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**Financial Report  
with Supplementary Information  
June 30, 2008**

# Algonac Community Schools

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# **Algonac Community Schools**

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## **Introductory Letter (Unaudited)**

This introductory section of the Algonac Community Schools' (the "School District") annual financial report presents an overview of the School District, including program, educational achievements, and financial highlights.

### **School District Highlights**

Algonac Community Schools is comprised of all the City of Algonac, Clay Township, and a portion of Ira Township, all located in the southeast quadrant of Michigan's lower peninsula in St. Clair County. The School District covers an area of approximately 49.6 square miles.

The unaudited student count at the start of the 2008-2009 school year is 2,102 students attending four elementary schools, one middle school (grades 6-8) and one high school (grades 9-12). The School District offers the following:

- All day kindergarten
- Daycare, preschool and latchkey programs offered year round.
- Daycare programs serving infants to five-year-olds
- Summer school literacy and enrichment programs for K-12
- Award-winning musical and choral programs
- Award-winning high school yearbooks and newspapers
- Full athletic program grades 7-12
- After-school math and reading program (elementary and middle schools)
- Elementary Honors Program
- National Honor Society (middle and high school)
- Lunch Buddy Program
- All NCA accredited schools
- International Baccalaureate Program candidate
- E20/20 online learning for credit recovery
- Participation in St. Clair County Community College Honors Program
- Scholastic Read 180 Program - Algonac High School

### **Government-wide Achievements**

The School District is very proud of the following Government-wide accomplishments:

- Algonac High School has increased the number of students taking four years of math (a new state requirement) to 100 percent and the number of students taking three years of science (new state requirement) to 100 percent.
- The Algonac High School Class of 2007 MEAP scores were the highest in St. Clair and Macomb Counties in all categories for the second year in a row. In fact, Algonac's scores ranked #2 overall among all districts in Wayne, Oakland, Macomb and St. Clair Counties, second only to Birmingham Schools.

# Algonac Community Schools

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## Introductory Letter (Continued) (Unaudited)

- On the EducationYES Report Card from the state of Michigan, every building in the district achieved Adequate Yearly Progress and earned either an A or B as its final grade, in accordance with the federal No Child Left Behind Act (NCLB).
- The School District continues to require and provide help for all third graders to read on grade level prior to entering fourth grade. This initiative results in higher achievement levels in many areas.
- The School District has modeled a 4<sup>th</sup> Grade Math Initiative after the 3<sup>rd</sup> Grade Reading Program. It will ensure all children are on grade level in mathematics and able to perform the level of math required at the middle school, and later at the high school
- In November of 2007 the School District passed a bond issue to improve district facilities and technology. Construction Phase I for elementary schools is nearing completion. Phase II for middle and high school construction is ongoing.
- Administration is currently restructuring as the School District moves towards “right size.”
- The Algonac Childcare Program has increased its enrollment and program offerings.
- The Algonac High School PASS (Promoting Academic and Social Skills) Mentoring Program has received recognition as an educational “Best Practice.”
- Algonac High School was recognized as one of the *Nation’s Best High Schools* by the U.S. News & World Report
- All teaching staff are highly qualified or on track to be highly qualified by 6-30-09.

### Curriculum Highlights

To foster greater student achievement, all Algonac schools have implemented various teaching strategies to improve learning skills across the curriculum, including the MI-CLASS Literacy Program for reading comprehension, the PROM/ISE math curriculum which uses best-practice mathematics teaching and learning strategies, and school-wide writing projects to improve writing skills. Computerized MAP testing, NWEA assessments and MEAP scores continue to provide data collection to determine student achievement, in order to individualize instruction and promote higher levels of learning. This is another means of providing assessments and data collection, as required by the legislation of *No Child Left Behind*. As of the 2007-2008 school year the district is using a data warehouse (ACHIEVE) to better analyze student achievement data.

Tutoring and mentoring are made available to students at all levels through various programs. We have continued the PASS Mentoring Program that was started during the 2005-2006 year. In this program, seniors mentor at-risk freshmen to help them have a positive start in high school. At Algonquin Middle School, students get extra help through the STRIVE Program (Student Tutoring and Rigorous Intervention for Valued Enrichment), as well as teacher mentoring time and Tuesday afternoon teacher lead tutoring. Elementary students can take advantage of after-school tutoring through ATLAS and also have opportunities to mentor with older students. The high school also uses seminar periods twice per week to tutor students needing extra help.

# **Algonac Community Schools**

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## **Introductory Letter (Continued) (Unaudited)**

During 2005-2006, the district introduced a new concept at Algonquin Middle School called the Technology Learning Program. This continues today and is known as the AAP (Academic Achievement Program). In this classroom a small number of at-risk students work in a group setting to study all subjects under the direction of one teacher. The students work at their own pace on computers, with instruction driven by the use of the PLATO software program. Students are evaluated throughout the year to determine progress, with the goal of returning to the regular middle school curriculum when appropriate.

During the past school year the district adopted new Social Studies curriculum and resources at the high school, middle school and elementary school levels.

The School District continues to be committed to the principles of respect, integrity, high expectations, accountability, caring, and also that learning can be fun.

### **Meeting New Requirements**

In 2005-2006, the State of Michigan enacted a new set of statewide graduation requirements to be effective with the graduating Class of 2011. At that time, Algonac Schools had already increased graduation requirements to meet the newly enacted statewide standards for math and science, and we are currently working to meet the foreign language requirement that will be effective in 2016. At the present time, 100 percent of Algonac High School students are already taking four years of math, and 100 percent are taking three years of science. The School District continues to focus on preparing our graduates with the skills and knowledge needed for the jobs of the 21<sup>st</sup> Century global economy. The School District must prepare today's students for careers and job opportunities that will still be in existence 15 to 20 years from now, and it appears we are making excellent progress toward that end.

### **Educational Achievements for 2007-2008**

- Algonac High School students performed above statewide averages on the new Michigan Merit Exam.
- On the Education YES Report Card from the State of Michigan, every building in the district achieved Adequate Yearly Progress and earned either an A or B as its final grade, in accordance with the federal No Child Left Behind Act (NCLB).
- All Algonac schools are NCA accredited. Algonac High School recently received top honors for completing a five-year, eight-phase improvement process. The middle and elementary schools have begun the five-year school improvement process.
- The Literacy Achievement Program drives the 3rd Grade Reading Initiative and provides after-school and summer school to maintain appropriate reading levels.
- The Northwest Evaluation Association math testing is used with grades 2-9, and drives the 4<sup>th</sup> Grade Math Initiative. The district provides after-school and summer school programs to maintain appropriate math levels.

# **Algonac Community Schools**

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## **Introductory Letter (Continued) (Unaudited)**

- All teachers are trained in MLPP (Michigan Literacy Progress Profile)
- The district is currently piloting a new math curriculum with the use of the Saxon Math Series.
- The Battle Creek Science Program provides hands-on scientific experiences in the classroom.
- A Distance Learning Lab at the high school provides curriculum integration and long-distance learning with other educational sites.
- Virtual field trips and other extraordinary learning opportunities are provided for middle and elementary students using Distance Learning carts.
- Teacher in-service time is provided in order to keep staff updated and on target with the latest teaching practices and techniques.
- All teachers are highly qualified or on track to be highly qualified by June 30, 2009.

### **Financial Highlights**

- The School District's undesignated Fund Balance is \$1,907,581. The designated and reserved fund balance is \$2,205,611. The major part of the designated fund balance is reserved for technology and the annual payment of the Energy Bond of June 2004. The purpose of this \$2.2 million Performance Energy Bond was to update the HVAC systems and provide for some roofing projects.
- With the approval of a \$33,210,000 bond proposal in November of 2007 of which \$17,500,000 was issued during March 2008 and the remainder is expected to be issued in May 2009, the School District is in the process of providing new technology and updating all of its buildings.
- Because of the accumulated fund balance, the School District does not need to borrow for cash flow needs, even though the majority of the Michigan districts were required to borrow.
- The Food Service Program continues to have a negative balance as of June 30, 2008. The District will continue to work on reducing this balance during 2008-2009. During 2007-2008 there were budget cuts made to the Food Service Program. These cuts did reduce the expenditures for the 2007-2008 year. However, the Food Service Program is also affected by the drop in student count. Even with the reductions made, the Food Service Program was not solvent during 2007-2008. For 2008-2009, the Food Service Program will still be looking at reducing staff hours and adjusting other expenditures to compensate for a lower student count. Adjustments in pricing have been made to the snack and a la carte foods for 2008-2009. Chartwells continues to be our food service provider for 2008-2009.
- The School District continues to keep its buildings structurally sound and its bus fleet up to date. The 2008 bond program has allowed the School District to replace a portion of its aging bus fleet and make necessary repairs to district facilities.

# **Algonac Community Schools**

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## **Introductory Letter (Continued) (Unaudited)**

### **Financial Trends - Factors Bearing on the School District's Future**

At the time of issuing these financial statements, the School District is aware of circumstances that could significantly affect its financial health in the future. Although Proposal A has been very beneficial to the School District in the past, the current state financial situation is impacting the School District as over 75 percent of our funding comes from state sources.

The Per Pupil Foundation Grant for 2007-2008 was \$7,204. While the District's student enrollment is shrinking, health, retirement and energy costs are going up. The state economy is not able to support increases in the education foundation allowance to support the increase in costs. The School District has made cuts to its programs and staffing for the 2008-2009 fiscal year to compensate for the economic conditions of the state.

The School District has worked very hard over the past 10 years to build a fund balance that could provide stability in the event of a state economic downturn. Through the responsible management of its resources, the School District plans to continue providing quality programs during these difficult financial times.

## Independent Auditor's Report

To the Board of Education  
Algonac Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Algonac Community Schools as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Algonac Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Algonac Community Schools as of June 30, 2008 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis information and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The introductory section (identified in the table of contents) is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



To the Board of Education  
Algonac Community Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Algonac Community Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated October 20, 2008 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

October 20, 2008

# Algonac Community Schools

## Management's Discussion and Analysis

This section of Algonac Community Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, Food Services Fund, 1993 Bond Issue Fund, and 2008 Building and Site Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The format of the annual report is as follows:

Management's Discussion and Analysis (MD&A)  
(Required Supplementary Information)

#### Basic Financial Statements

Government-wide Financial Statements      Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplementary Information)  
Budgetary Information for Major Funds

Other Supplementary Information

### ***Reporting the School District as a Whole - Government-wide Financial Statements***

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

# Algonac Community Schools

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## Management's Discussion and Analysis (Continued)

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

### ***Reporting the School District's Most Significant Funds - Fund Financial Statements***

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

**Governmental Funds** - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

# Algonac Community Schools

## Management's Discussion and Analysis (Continued)

### *The School District as Trustee - Reporting the School District's Fiduciary Responsibilities*

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### **The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2008 and 2007:

TABLE I

	Governmental Activities	
	2008	2007
	(in millions)	
<b>Assets</b>		
Current assets	\$ 24.5	\$ 6.8
Capital assets - Net of accumulated depreciation	<u>15.1</u>	<u>14.5</u>
Total assets	39.6	21.3
<b>Liabilities</b>		
Current liabilities	3.6	1.9
Long-term liabilities	<u>21.5</u>	<u>6.4</u>
Total liabilities	<u>25.1</u>	<u>8.3</u>
<b>Net Assets</b>		
Invested in property and equipment - Net of related debt	9.6	8.4
Restricted	1.2	0.8
Unrestricted	<u>3.7</u>	<u>3.8</u>
Total net assets	<u><u>\$ 14.5</u></u>	<u><u>\$ 13.0</u></u>

# Algonac Community Schools

## Management's Discussion and Analysis (Continued)

The above analysis focuses on the net assets (see Table 1). The change in net assets of the School District's governmental activities is discussed below (see Table 2). The School District's net assets were \$14.5 million at June 30, 2008. Capital assets, net of related debt, totaling \$9.6 million, compare the original cost, less depreciation, of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$3.7 million) was unrestricted.

The \$3.7 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities, which shows the changes in net assets for fiscal year 2008 as compared to fiscal year 2007 (see Table 2).

TABLE 2

	Governmental Activities	
	2008	2007
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 0.9	\$ 0.9
Federal grants and entitlements	1.2	1.2
State categoricals	0.5	0.7
Operating grants	0.3	0.4
General revenue:		
Property taxes	6.1	5.8
State foundation allowance	12.0	12.8
Other	1.2	0.5
Total revenue	22.2	22.3

# Algonac Community Schools

## Management's Discussion and Analysis (Continued)

TABLE 2 (Continued)

	Governmental Activities	
	2008	2007
	(in millions)	
<b>Functions/Program Expenses</b>		
Instruction	\$ 10.3	\$ 10.2
Support services	6.5	6.7
Community services	-	0.1
Food services	0.8	1.3
Athletics	0.5	0.4
Latchkey	0.4	0.4
Interest on long-term debt	1.6	1.1
Depreciation (unallocated)	0.6	0.6
Total functions/program expenses	20.7	20.8
<b>Increase in Net Assets</b>	<b>\$ 1.5</b>	<b>\$ 1.5</b>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$20.7 million. Certain activities were partially funded from those who benefited from the programs (\$0.9 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2.0 million). We paid for the remaining "public benefit" portion of our governmental activities with \$6.1 million in property taxes, \$12.0 million in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

In the table below, we have presented the cost of each of the School District's six largest functions - instruction, support services, latchkey, athletics, community services, and food services, as well as each program's net cost (total cost less revenues generated by the activities). As discussed above, net cost shows the amount financed by the State and the School District's taxpayers for each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits provided by that function.

# Algonac Community Schools

## Management's Discussion and Analysis (Continued)

	Governmental Activities	
	Total Cost of	Net Cost of
	Services	Services
	(in millions)	
Instruction	\$ 10.3	\$ 8.6
Support services	6.5	6.5
Food services	0.8	0.1
Athletics	0.5	0.4
Latchkey	0.4	-
Community services	-	-
Total	<u>\$ 18.5</u>	<u>\$ 15.6</u>

The School District experienced an increase in net assets of \$1.5 million. Key reasons for the change in net assets include the School District's focus on reducing spending and the retirement of debt.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

### The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$21.3 million, which is an increase from last year of \$16 million. The \$16 million is due to the addition of the 2008 Bond Building and Site Capital Project fund balance. The School District has been keeping a watchful eye on the economic conditions in the state and has been closely monitoring expenditures. In addition to the nearly \$400,000 in cuts made for the current year, the School District has made more cuts to accommodate for the declining enrollment for the 2008-2009 year. The School District has had staff retire whose positions were not filled and consolidated one secretarial position for 2008-2009. The School District is facing a reduction in students as well as reductions in state funding. The School District is still continuously looking for ways to reduce costs and still provide an excellent education for all students.

# **Algonac Community Schools**

## **Management's Discussion and Analysis (Continued)**

Fund balance of the General Fund, our principal operating fund, decreased to approximately \$4.1 million, mainly due to a fund transfer to the Food Service Fund and the Latchkey Fund to supplement their deficit balance. In the past, these two funds were allowed to carry a deficit balance. This year, the State requested that they have a fund transfer from the General Fund to supplement them as required by the State Aid Act. There was also a reduction in state revenue due to a decrease in students. The School District is keeping a watchful eye on the Michigan economy, as most of our funding comes from the state foundation revenue.

General Fund fund balance is available to fund costs related to allowable school operating purposes.

The Food Services program's expenditures exceeded the revenues by approximately \$190,000. This was mainly due to the repayment of state funds that were received in error. There were many cuts made in the program for the current year. The deficit was subsidized by the General Fund to cover its cost. However, the School District will still be looking for ways to trim costs for 2008-2009 while still providing a quality food service program. The Athletics Fund is supported through gate receipts and a General Fund subsidy to cover its costs. The Latchkey Fund revenues exceeded the program's expenditures by approximately \$90,000, including a General Fund subsidy of approximately \$47,000.

Combined, the Debt Service Funds showed a fund balance increase of approximately \$400,000. After the year's scheduled bond payments, the fund balance of the 1993 Debt Fund increased by about \$250,000. The millage rate to pay for the 1993 refunding payments has been held constant at 3.25 mills in order to cover our debt payments. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Durant debt obligations are funded by annual state appropriations, and no fund balance exists at year end. There was the addition of the School Building and Site Bonds Debt Fund, which ended with a fund balance of approximately \$202,000. Debt Funds balances are reserved since they can only be used to pay debt service obligations.

The Capital Projects Fund balance increased by approximately \$15.8 million. This increase was from the passing of 2008 Building and Site Capital Projects bond issue. The money in this fund is designated for the current bond construction that is in progress.

### **General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with anticipated changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted just before year end. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements.



# Algonac Community Schools

## Management's Discussion and Analysis (Continued)

There were two revisions made to the 2007-2008 General Fund original budget. The first budget revision was done in March. This revision increased the revenue by approximately \$280,000. This was mainly due to the sale of the Harsens Island property. The federal and state categorical grants were also adjusted to the awarded amount and the carryover of funding from the 2006-2007 year was also added. The expenditure budget was increased by approximately \$500,000. This was mainly due to the addition of the transfer to the Energy Bonds Fund, the purchase of a school bus, and adjusting salaries, benefits, and insurances to actual costs. The expenditure budget was also adjusted for the federal and state grants. In June, a final amendment was made to the 2007-2008 budget. The General Fund was adjusted for the summer school and after school programs that were offered during the year. There was a large savings in operation and maintenance building and repair expenditures due to the bond issue passing.

The amount of transfers to other funds established in the amended budget was approximately \$660,000 and represents support provided by the General Fund to the Athletics and the Energy Bonds Funds.

The most significant variances between the final budget and actual revenues and expenditures were the addition of the transfer to other funds to provided support from General Fund to the Food Service and Latchkey Funds.

### Capital Assets and Debt Administration

#### *Capital Assets*

As of June 30, 2008, the School District had \$31.5 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions and disposals) of approximately \$1.0 million from last year. Our capitalization threshold is \$1,000.

	2008	2007
Land	\$ 88,392	\$ 93,892
Land improvements	859,253	911,817
Buildings and building improvements	23,818,311	23,852,752
Buses and other vehicles	1,442,816	1,713,407
Furniture and equipment	4,229,524	3,897,941
Construction in progress	1,032,859	-
Total capital assets	<u>\$ 31,471,155</u>	<u>\$ 30,469,809</u>

This year's additions of approximately \$1.45 million included technology equipment purchases, a new school bus, and the ongoing major renovation of our elementary schools and tennis courts.

We present more detailed information about our capital assets in the notes to the financial statements.

# Algonac Community Schools

## Management's Discussion and Analysis (Continued)

### Debt

At the end of this year, the School District had \$20.3 million in bonds outstanding versus \$4.0 million in the previous year - an increase of \$16.3 million. This increase is due to the passage of the 2008 Building and Site Capital Projects Bond. Those bonds consisted of the following:

	2008	2007
General obligation bonds	<u>\$ 20,293,460</u>	<u>\$ 4,004,032</u>

The School District's general obligation bond rating continues to be AAA. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$20.3 million is significantly below this \$104 million statutorily imposed limit.

Other obligations include accrued vacation pay, sick leave, and early retirement incentive annuity programs. We present more detailed information about our long-term liabilities in the notes to the financial statements.

### Economic Factors and Next Year's Budgets and Rates

Our board members and administration considered many factors when setting the School District's 2008-2009 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2009 fiscal year is 25 percent and 75 percent of the February 2008 and September 2008 student counts, respectively. The 2008-2009 budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2008. Due to the State of Michigan's declining birth rates and economic conditions causing many families to move from the state, most districts have experienced a decline in enrollment. Algonac is no exception to this rule. The 2008-2009 budget has been built on the assumption that the School District will have 100 less students.

Under state law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. The 2008-2009 budget was built on an estimated \$50 per student increase in the foundation grant. The State since then has passed the new state aid budget, which will allow for the foundation grant to increase by \$110 per student. This will give the School District an additional \$60 per student that will help offset rising cost in salaries, health care, transportation, and utilities. The School District will keep an eye on the Michigan economy when planning expenditures.

# Algonac Community Schools

## Statement of Net Assets June 30, 2008

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 3)	\$ 5,229,798
Receivables - Net (Note 4)	2,430,209
Inventories	51,577
Prepaid costs	24,131
Restricted cash and investments (Note 11)	16,770,362
Capital assets - Net (Note 5)	<u>15,057,392</u>
Total assets	39,563,469
<b>Liabilities</b>	
Accounts payable	1,390,015
Accrued payroll and other liabilities	2,225,282
Long-term liabilities (Note 7):	
Due within one year	1,243,445
Due in more than one year	<u>20,236,441</u>
Total liabilities	<u>25,095,183</u>
<b>Net Assets</b>	
Invested in capital assets - Net of related debt	9,534,154
Restricted - Debt service	1,227,608
Unrestricted	<u>3,706,524</u>
Total net assets	<u><u>\$ 14,468,286</u></u>

# Algonac Community Schools

## Statement of Activities Year Ended June 30, 2008

	Program Revenues				Governmental
					Activities
					Net (Expense)
					Revenue and
					Changes in
	Expenses	Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions	Net Assets
<b>Functions/Programs</b>					
Primary government - Governmental activities:					
Instruction	\$ 10,345,184	\$ -	\$ 1,729,247	\$ -	\$ (8,615,937)
Support services	6,510,607	-	-	-	(6,510,607)
Food services	750,403	407,426	279,672	-	(63,305)
Athletics	471,341	32,055	-	-	(439,286)
Latchkey	376,144	417,817	-	-	41,673
Community services	9,384	18,843	648	-	10,107
Interest on long-term debt	1,611,218	-	-	-	(1,611,218)
Depreciation (unallocated)	574,466	-	-	-	(574,466)
Total governmental activities	<u>\$ 20,648,747</u>	<u>\$ 876,141</u>	<u>\$ 2,009,567</u>	<u>\$ -</u>	(17,763,039)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					3,833,595
Property taxes, levied for debt services					2,278,672
State aid not restricted to specific purposes					11,958,842
Interest and investment earnings					503,976
Gain on sale of assets					161,714
Other					531,313
Total general revenues					<u>19,268,112</u>
Change in Net Assets					1,505,073
Net Assets - Beginning of year					<u>12,963,213</u>
Net Assets - End of year					<u>\$ 14,468,286</u>

# Algonac Community Schools

## Governmental Funds Balance Sheet June 30, 2008

	General Fund	Food Services Fund	1993 Bond Issue Fund - Debt Service Fund	2008 Building and Site Fund - Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and investments (Note 3)	\$ 3,328,686	\$ 459,611	\$ 1,057,234	\$ 16,770,362	\$ 384,267	\$ 22,000,160
Receivables - Net (Note 4)	2,418,089	7,621	1,455	-	3,044	2,430,209
Due from other funds (Note 6)	362,871	8,275	-	-	6,085	377,231
Inventories	40,467	11,110	-	-	-	51,577
Prepaid costs and other assets	18,087	-	6,044	-	-	24,131
Total assets	<u>\$ 6,168,200</u>	<u>\$ 486,617</u>	<u>\$ 1,064,733</u>	<u>\$ 16,770,362</u>	<u>\$ 393,396</u>	<u>\$ 24,883,308</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 203,833	\$ 195,966	\$ -	\$ 972,635	\$ 17,581	\$ 1,390,015
Accrued payroll and other liabilities	1,836,815	2,494	5,497	-	20,501	1,865,307
Due to other funds (Note 6)	14,360	288,157	33,644	-	41,070	377,231
Total liabilities	2,055,008	486,617	39,141	972,635	79,152	3,632,553
<b>Fund Balances</b>						
Reserved:						
Inventories	40,467	11,110	-	-	-	51,577
Prepaid costs	18,087	-	-	-	-	18,087
Debt Service Funds	-	-	1,025,592	-	202,016	1,227,608
Unreserved:						
Designated for budget carryovers (Note 10)	2,147,057	-	-	-	-	2,147,057
Designated for capital projects	-	-	-	15,797,727	112,228	15,909,955
Undesignated (deficits) - Reported in:						
General Fund	1,907,581	-	-	-	-	1,907,581
Special Revenue Funds	-	(11,110)	-	-	-	(11,110)
Total fund balances	<u>4,113,192</u>	<u>-</u>	<u>1,025,592</u>	<u>15,797,727</u>	<u>314,244</u>	<u>21,250,755</u>
Total liabilities and fund balances	<u>\$ 6,168,200</u>	<u>\$ 486,617</u>	<u>\$ 1,064,733</u>	<u>\$ 16,770,362</u>	<u>\$ 393,396</u>	<u>\$ 24,883,308</u>

# Algonac Community Schools

## **Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2008**

**Fund Balance - Total Governmental Funds** \$ 21,250,755

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds:

Cost of the capital assets	\$ 31,471,155	
Accumulated depreciation	<u>(16,413,763)</u>	15,057,392

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Bonds payable including accreted interest on capital appreciation bonds and bond discount	(21,228,870)
Compensated absences	(203,822)
Termination payments	(47,194)

Accrued interest payable is not included as a liability in governmental funds	<u>(359,975)</u>
---	------------------

**Net Assets - Governmental Activities** \$ 14,468,286

# Algonac Community Schools

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

	General Fund	Food Services Fund	1993 Bond Issue Fund - Debt Service Fund	2008 Building and Site Fund - Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>						
Local sources	\$ 4,516,451	\$ 606,559	\$ 2,386,865	\$ 64,267	\$ 656,257	\$ 8,230,399
State sources	12,328,243	58,527	-	-	-	12,386,770
Federal sources	895,535	279,672	-	-	-	1,175,207
Interdistrict sources	406,432	-	-	-	-	406,432
Total revenue	18,146,661	944,758	2,386,865	64,267	656,257	22,198,808
<b>Expenditures</b>						
Current:						
Instruction	10,258,909	-	-	-	-	10,258,909
Support services	7,385,999	-	-	-	-	7,385,999
Community services	9,384	-	-	-	-	9,384
Food services	-	1,136,281	-	-	-	1,136,281
Athletics	-	-	-	-	438,028	438,028
Latchkey	-	-	-	-	376,144	376,144
Debt service:						
Principal	-	-	1,010,572	-	200,000	1,210,572
Interest	-	-	1,129,428	-	69,820	1,199,248
Other	-	-	-	78,136	224	78,360
Capital outlay	-	1,651	-	1,509,921	2,178	1,513,750
Total expenditures	17,654,292	1,137,932	2,140,000	1,588,057	1,086,394	23,606,675
<b>Excess of Revenue Over (Under) Expenditures</b>	492,369	(193,174)	246,865	(1,523,790)	(430,137)	(1,407,867)
<b>Other Financing Sources (Uses)</b>						
Proceeds from long-term debt	-	-	-	17,500,000	-	17,500,000
Discount on debt issued	-	-	-	(178,483)	-	(178,483)
Transfers in	-	276,696	-	-	694,687	971,383
Transfers out	(971,383)	-	-	-	-	(971,383)
Total other financing sources (uses)	(971,383)	276,696	-	17,321,517	694,687	17,321,517
<b>Net Change in Fund Balances</b>	(479,014)	83,522	246,865	15,797,727	264,550	15,913,650
<b>Fund Balances (Deficits) - Beginning of year</b>	4,592,206	(83,522)	778,727	-	49,694	5,337,105
<b>Fund Balances - End of year</b>	<u>\$ 4,113,192</u>	<u>\$ -</u>	<u>\$ 1,025,592</u>	<u>\$ 15,797,727</u>	<u>\$ 314,244</u>	<u>\$ 21,250,755</u>

# Algonac Community Schools

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2008**

**Net Change in Fund Balances - Total Governmental Funds** **\$ 15,913,650**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (805,889)	
Capitalized capital outlay	<u>1,455,716</u>	649,827

Governmental funds do not report the loss from disposal of capital assets; in the statement of activities, these are recorded as a net of the proceeds received and carrying value of the disposed assets	(44,988)
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Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(333,610)
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Proceeds from issuance of bonds is a revenue in governmental funds, but not in the statement of activities (where it increases long-term debt)	(17,500,000)
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Underwriter's discount is reported as expenditures in the funds and amortized in the statement of activities	178,483
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Accreted interest on capital appreciation bonds is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid. In the current year, more was paid than incurred	914,460
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,210,572
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Compensated absences and termination payments are recorded when earned in the statement of activities. In the current year, more was paid out than was earned	109,661
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Claim payable relating to the Food Services Fund is recorded in the statement of activities when incurred; it is not reported in the governmental funds until paid	<u>407,018</u>
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**Change in Net Assets of Governmental Activities** **\$ 1,505,073**



# Algonac Community Schools

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## Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2008

	Student Activities Agency Fund
	<hr/>
<b>Assets</b> - Cash and cash equivalents	<b>\$ 222,307</b>
	<hr/>
<b>Liabilities</b> - Due to student groups	<b>\$ 222,307</b>
	<hr/>

# **Algonac Community Schools**

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## **Notes to Financial Statements June 30, 2008**

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of Algonac Community Schools (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

#### **Reporting Entity**

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

# Algonac Community Schools

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## Notes to Financial Statements June 30, 2008

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

**Government-wide Financial Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

**Special Items** - Transactions within the control of management that are either unusual in nature or infrequent in occurrence are reported as special items in the statement of activities. During the current year, the School District sold property located on Harsens Island. This has been reported as a special item.

**Fund Financial Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

Fiduciary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

# Algonac Community Schools

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## Notes to Financial Statements June 30, 2008

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The School District reports the following major governmental funds:

**General Fund** - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

**Food Services Special Revenue Fund** - The Food Services Special Revenue Fund is used to account for the proceeds and expenditures related to the food service activities of the School District.

**1993 Bond Issue Debt Service Fund** - The 1993 Bond Issue Debt Service Fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on the 1993 Bond issue.

**2008 Building and Site Capital Projects Fund** - The 2008 Building and Site Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund operates until the purpose for which it was created is accomplished.

The School District also reports the following fund types:

**Special Revenue Funds** - The Special Revenue Funds are used to segregate, for administrative purposes, the transactions of the School District's athletics and latchkey operations from General Fund revenue and expenditure accounts. The School District maintains full control of these funds. Any deficits generated by these activities are the responsibility of the General Fund.

**Building and Site Capital Projects Fund** - The Building and Site Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund operates until the purpose for which it was created is accomplished.

**Debt Service Funds** - The Energy Bond Debt Service Fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on the 2004 Energy Bonds. The Durant Non-Plaintiff Bond Debt Service Fund is used to record the transactions relating to programs funded by the proceeds from the State of Michigan in the Durant litigation. The School Building and Site Bond Fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on the 2008 School Building and Site Bonds.

# Algonac Community Schools

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## Notes to Financial Statements June 30, 2008

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Student Activities Agency Fund** - The School District maintains an Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

#### **Assets, Liabilities, and Net Assets or Equity**

**Cash and Investments** - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All property tax and trade receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 and are considered delinquent on March 1 the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

**Inventories and Prepaid Costs** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds, including commodities received from the United States Department of Agriculture, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

**Restricted Assets** - The unspent bond proceeds and related interest of the Capital Projects Funds require amounts to be set aside for construction. These amounts have been classified as restricted assets.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

# Algonac Community Schools

## Notes to Financial Statements June 30, 2008

### Note 1 - Summary of Significant Accounting Policies (Continued)

Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	20 years
Buildings and building improvements	50-65 years
Buses and other vehicles	8 years
Furniture and equipment	5-20 years

**Compensated Absences** - The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated vacation, sick leave, and severance benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts are included both for employees who are currently eligible to receive termination payments and for other employees who are expected to become eligible in the future to receive such payments upon termination.

**Long-term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for use for a specific purpose. Designations of fund balance represent management plans.

**Comparative Data** - Comparative data is not included in the School District's financial statements.

# Algonac Community Schools

## Notes to Financial Statements June 30, 2008

### Note 2 - Stewardship, Compliance, and Accountability

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General Fund and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the General Fund budget was amended in a legally permissible manner. The School District revised budgeted amounts during the year in response to revisions in state aid funding, obtaining and expending of new categorical grants, and the carryover of grants and completion of projects.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the School District incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund - Other financing uses - Transfer out	\$ 666,363	\$ 971,383
Food Services Fund:		
Current - Food service	768,785	1,136,281
Other financing uses - Transfers in	-	276,696

The General Fund variance was primarily the result of transfers to the Food Service Fund and Latchkey Fund to cover fund deficits at year end. The Food Service Fund variance was due to increased expenditures related to the overstatement of prior years claims which were paid in the current year, that were not part of the amended budget.

# Algonac Community Schools

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## Notes to Financial Statements June 30, 2008

### **Note 2 - Stewardship, Compliance, and Accountability (Continued)**

**Capital Projects Fund Compliance** - The Capital Projects 2008 Building and Site Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

### **Note 3 - Deposits and Investments**

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated all banks in St. Clair County for the deposit of its funds, except for short-term investments.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, \$2,275,096 of the School District's deposit balance (certificates of deposit, checking, and savings accounts) of \$2,575,096 was uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### **Custodial Credit Risk of Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have investments with custodial credit risk. The School District's investment policy does not specifically address custodial credit risk.



# Algonac Community Schools

## Notes to Financial Statements June 30, 2008

### Note 3 - Deposits and Investments (Continued)

#### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At June 30, 2008, the maturities of investments and the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Maturities	Rating	Rating Organization
United States government agency securities:				
Federal Home Loan Mortgage Corporation	\$ 5,343,326	N/A	Aaa	Moody's
Federal National Mortgage Association	9,712,096	N/A	Aaa	Moody's
Bank investment pools	33,838	N/A	AI	S&P
Bank investment pools	174,078	30 days	AAAam	S&P
Michigan Liquid Asset Fund	2,944,505	N/A	AAAam	S&P

#### Concentration of Credit Risk

The School District's investment policy places no limit on the amount the School District may invest in any one issuer.

#### Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's investment policy prohibit investments in foreign currency.

# Algonac Community Schools

## Notes to Financial Statements June 30, 2008

### Note 4 - Receivables

Receivables as of June 30, 2008 for the School District's General Fund, Food Services Fund, 1993 Bond Issue Fund, and the nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Food Services Fund	1993 Bond Issue Fund	Nonmajor and Other Funds	Total
Receivables:					
Taxes	\$ 9,551	\$ -	\$ 1,455	\$ -	\$ 11,006
Accounts	-	7,621	-	3,044	10,665
Intergovernmental	<u>2,408,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,408,538</u>
Net receivables	<u>\$ 2,418,089</u>	<u>\$ 7,621</u>	<u>\$ 1,455</u>	<u>\$ 3,044</u>	<u>\$ 2,430,209</u>

### Note 5 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$ 93,892	\$ -	\$ 5,500	\$ 88,392
Construction in progress	<u>-</u>	<u>1,032,859</u>	<u>-</u>	<u>1,032,859</u>
Subtotal	93,892	1,032,859	5,500	1,121,251
Capital assets being depreciated:				
Land improvements	911,817	-	52,564	859,253
Building and building improvements	23,852,752	-	34,441	23,818,311
Buses and other vehicles	1,713,407	74,885	345,476	1,442,816
Furniture and equipment	<u>3,897,941</u>	<u>347,972</u>	<u>16,389</u>	<u>4,229,524</u>
Subtotal	30,375,917	422,857	448,870	30,349,904
Accumulated depreciation:				
Land improvements	574,505	33,810	44,134	564,181
Building and building improvements	10,835,570	541,796	5,411	11,371,955
Buses and other vehicles	1,751,435	54,145	345,476	1,460,104
Furniture and equipment	<u>2,855,746</u>	<u>176,138</u>	<u>14,361</u>	<u>3,017,523</u>
Subtotal	<u>16,017,256</u>	<u>805,889</u>	<u>409,382</u>	<u>16,413,763</u>
Net capital assets being depreciated	<u>14,358,661</u>	<u>(383,032)</u>	<u>39,488</u>	<u>13,936,141</u>
Net governmental capital assets	<u>\$ 14,452,553</u>	<u>\$ 649,827</u>	<u>\$ 44,988</u>	<u>\$ 15,057,392</u>

# Algonac Community Schools

## Notes to Financial Statements June 30, 2008

### Note 5 - Capital Assets (Continued)

Depreciation expense was charged to activities of the School District as follows:

Governmental activities:

Instruction	\$ 68,381
Support services	108,589
Food services	21,140
Athletics	33,313
Unallocated	<u>574,466</u>

Total governmental activities	<u>\$ 805,889</u>
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**Construction Commitments** - The School District has several active 2008 Building and Site Fund construction projects at year end. At year end, the School District's commitments with contractors were \$7,247,414.

### Note 6 - Interfund Receivables and Payables

The composition of interfund balances is as follows:

Fund Due To	Fund Due From				Total
	General	Food Service	1993 Bond Issue	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 288,157	\$ 33,644	\$ 41,070	\$ 362,871
Food Service Fund	8,275	-	-	-	8,275
Nonmajor governmental funds	<u>6,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,085</u>
Total	<u>\$ 14,360</u>	<u>\$ 288,157</u>	<u>\$ 33,644</u>	<u>\$ 41,070</u>	<u>\$ 377,231</u>

Interfund balances represent routine and temporary cash flow assistance between various funds until amounts are transferred from fund investment accounts.

# Algonac Community Schools

## Notes to Financial Statements June 30, 2008

### Note 6 - Interfund Receivables and Payables (Continued)

The composition of interfund transfers is as follows:

Transfers in (out):	
General Fund	\$ (971,383)
Food Services Fund	276,696
Other governmental funds	<u>694,687</u>
 Total	 <u>\$ -</u>

Transfers subsidized operations of the Food Services and Athletics Fund and provided funding for debt service on energy bonds.

### Note 7 - Long-term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, accreted interest on capital appreciation bonds, and termination benefits.

Long-term obligation activity can be summarized as follows:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Governmental activities:					
Bonds	\$ 4,004,032	\$ 17,500,000	\$ 1,210,572	\$ 20,293,460	\$ 1,247,939
Unamortized discount on bonds	-	(178,483)	-	(178,483)	(8,924)
Other obligations	<u>2,389,030</u>	<u>-</u>	<u>1,024,121</u>	<u>1,364,909</u>	<u>4,430</u>
 Total governmental activities	 <u>\$ 6,393,062</u>	 <u>\$ 17,321,517</u>	 <u>\$ 2,234,693</u>	 <u>\$ 21,479,886</u>	 <u>\$ 1,243,445</u>

# Algonac Community Schools

## Notes to Financial Statements June 30, 2008

### Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above governmental bond obligations are as follows:

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2009	\$ 1,247,939	\$ 2,170,274	\$ 3,418,213
2010	864,913	819,923	1,684,836
2011	900,861	786,249	1,687,110
2012	946,853	750,619	1,697,472
2013	977,894	719,728	1,697,622
2014-2018	4,460,000	3,025,072	7,485,072
2019-2023	4,870,000	2,078,630	6,948,630
2024-2028	6,025,000	923,676	6,948,676
Total	<u>\$ 20,293,460</u>	<u>\$ 11,274,171</u>	<u>\$ 31,567,631</u>

### Governmental Activities

General obligation bonds consist of the following:

1993 Refunding Capital Appreciation Bonds due in an annual installment of \$983,472 on May 1, 2009, plus interest at 5.30%	\$ 983,472
1998 School Improvement Bond (Durant Non-Plaintiff Bond) due in annual installments of \$19,913 to \$54,467 through May 15, 2013, plus interest at 4.76%	139,988
2004 Energy Conservation Improvement Bonds due in annual installments of \$210,000 to \$270,000 through May 1, 2015, plus interest at 3.00% to 4.10%	1,670,000
2008 School Building and Site Bonds due in annual installments of \$630,000 to \$1,320,000 through May 1, 2028, plus interest at 3.00% to 5.25%	<u>17,500,000</u>
Total general obligation bonds	<u>\$ 20,293,460</u>

Annual total payments (principal and interest) associated with the Durant Non-Plaintiff Bond are funded by the State of Michigan via specifically appropriated state aid and will not require any School District debt levy or utilization of any other School District financial resources.

# Algonac Community Schools

## Notes to Financial Statements June 30, 2008

### Note 7 - Long-term Debt (Continued)

The Debt Service Funds have \$1,227,608 available to service the general obligation bonds.

Interest expenditures for the School District for the year ended June 30, 2008 totaled \$1,199,248.

In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2008, \$584,136 of these bonds outstanding are considered defeased.

Other governmental activities long-term obligations include the following:

Employee compensated absences	\$ 203,822
Accreted interest on capital appreciation bonds	1,113,893
Termination payments	<u>47,194</u>
Total	<u>\$ 1,364,909</u>

### Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical benefit claims and participates in the SET-SEG risk pool for claims relating to all other types of claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### **Note 9 - Defined Benefit Pension Plan and Postemployment Benefits**

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

**Pension Benefits** - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate was 11.19 percent of covered payroll for the period from July 1, 2007 through September 30, 2007 and 10.17 percent for the period from October 1, 2007 through June 30, 2008. Basic plan members do not make contributions, but member investment plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's required and actual contributions to the plan for the years ended June 30, 2008, 2007, and 2006 were approximately \$994,000, \$1,075,000, and \$960,000, respectively.

**Postemployment Benefits** - Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental, and vision coverage through MPERS. Retirees having this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.55 percent of covered payroll for the period from July 1, 2007 through September 30, 2007 and 6.55 percent for the period from October 1, 2007 through June 30, 2008. The School District's required and actual contribution to the plan for retiree healthcare benefits for the years ended June 30, 2008, 2007, and 2006 were approximately \$625,000, \$647,000, and \$666,000, respectively.

# Algonac Community Schools

## Notes to Financial Statements June 30, 2008

### Note 10 - Fund Balance Designations

The School District has designated General Fund balance as of June 30, 2008 for budget carryovers as follows:

Designated for:

Energy bond payments	\$ 224,401
Technology	652,152
Funding reductions resulting from decline in student counts	579,433
Other specific projects	<u>691,071</u>
Total designated for budget carryovers	<u>\$ 2,147,057</u>

### Note 11 - Restricted Assets

The balance of the restricted asset accounts is as follows:

	Governmental <u>Activities</u>
Restricted for Capital Projects 2008 Building and Site Fund	<u>\$ 16,770,362</u>



## **Required Supplementary Information**

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# Algonac Community Schools

## Required Supplementary Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 4,158,023	\$ 4,413,185	\$ 4,516,451	\$ 103,266
State sources	12,418,210	12,339,003	12,328,243	(10,760)
Federal sources	970,816	1,020,428	895,535	(124,893)
Interdistrict sources	369,131	404,221	406,432	2,211
Total revenue	17,916,180	18,176,837	18,146,661	(30,176)
<b>Expenditures - Current</b>				
Instruction:				
Basic programs	8,712,465	8,542,430	8,389,345	(153,085)
Added needs	1,886,273	1,944,327	1,869,564	(74,763)
Support services:				
Pupil	981,624	970,358	917,040	(53,318)
Instructional staff	557,496	646,778	581,495	(65,283)
General administration	666,244	735,277	689,109	(46,168)
School administration	1,501,942	1,531,197	1,489,874	(41,323)
Business services	364,104	418,801	350,070	(68,731)
Operation and maintenance	2,649,695	2,605,245	2,572,596	(32,649)
Transportation	768,070	849,874	785,815	(64,059)
Community services	142,886	13,353	9,384	(3,969)
Total expenditures	18,230,799	18,257,640	17,654,292	(603,348)
<b>Other Financing Uses - Transfers out</b>	(350,225)	(666,363)	(971,383)	(305,020)
<b>Net Change in Fund Balance</b>	(664,844)	(747,166)	(479,014)	268,152
<b>Fund Balance - July 1, 2007</b>	4,592,206	4,592,206	4,592,206	-
<b>Fund Balance - June 30, 2008</b>	<u>\$ 3,927,362</u>	<u>\$ 3,845,040</u>	<u>\$ 4,113,192</u>	<u>\$ 268,152</u>

# Algonac Community Schools

## Required Supplementary Information Budgetary Comparison Schedule - Food Services Fund Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 457,013	\$ 628,208	\$ 606,559	\$ (21,649)
State sources	47,377	28,932	58,527	29,595
Federal sources	<u>263,876</u>	<u>96,441</u>	<u>279,672</u>	<u>183,231</u>
Total revenue	768,266	753,581	944,758	191,177
<b>Expenditures</b>				
Current - Food services	767,821	768,785	1,136,281	367,496
Capital outlay	<u>-</u>	<u>1,651</u>	<u>1,651</u>	<u>-</u>
Total expenditures	767,821	770,436	1,137,932	367,496
<b>Other Financing Uses - Transfer in</b>	<u>-</u>	<u>-</u>	<u>276,696</u>	<u>276,696</u>
<b>Net Change in Fund Balance</b>	445	(16,855)	83,522	100,377
<b>Fund Balance (Deficit) - July 1, 2007</b>	<u>(83,522)</u>	<u>(83,522)</u>	<u>(83,522)</u>	<u>-</u>
<b>Fund Balance (Deficit) - June 30, 2008</b>	<u><b>\$ (83,077)</b></u>	<u><b>\$ (100,377)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 100,377</b></u>

## **Other Supplementary Information**

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# Algonac Community Schools

	Special Revenue Funds		Debt Service Funds		
	Athletics	Latchkey	Energy Bonds	Durant Non-Plaintiff Bond	School Building and Site Bonds
<b>Assets</b>					
Cash and investments	\$ 17,188	\$ 47,705	\$ -	\$ -	\$ 202,016
Receivables	-	3,044	-	-	-
Due from other funds	6,085	-	-	-	-
Total assets	<u>\$ 23,273</u>	<u>\$ 50,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,016</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 5,570	\$ 12,011	\$ -	\$ -	\$ -
Salaries and other accrued liabilities	16,382	4,119	-	-	-
Due to other funds	1,321	34,619	-	-	-
Total liabilities	23,273	50,749	-	-	-
<b>Fund Balances</b>					
Reserved - Debt Service Funds	-	-	-	-	202,016
Unreserved - Designated for capital projects	-	-	-	-	-
Total fund balances	-	-	-	-	202,016
Total liabilities and fund balances	<u>\$ 23,273</u>	<u>\$ 50,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,016</u>

**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2008**

Capital  
Projects Fund

Building and Site	Total
\$ 117,358	\$ 384,267
-	3,044
-	6,085
<u>\$ 117,358</u>	<u>\$ 393,396</u>

\$ -	\$ 17,581
-	20,501
<u>5,130</u>	<u>41,070</u>
5,130	79,152
-	202,016
<u>112,228</u>	<u>112,228</u>
<u>112,228</u>	<u>314,244</u>
<u>\$ 117,358</u>	<u>\$ 393,396</u>

# Algonac Community Schools

	Special Revenue Funds		Debt Service Funds		
	Athletics	Latchkey	Energy Bonds	Durant Non-Plaintiff Bond	School Building and Site Bonds
<b>Revenue - Local</b>	\$ 32,975	\$ 419,550	\$ 284	\$ -	\$ 202,016
<b>Expenditures</b>					
Current:					
Athletics	438,028	-	-	-	-
Latchkey	-	376,144	-	-	-
Debt service:					
Principal	-	-	200,000	-	-
Interest	-	-	69,820	-	-
Other	-	-	224	-	-
Capital outlay	2,178	-	-	-	-
Total expenditures	440,206	376,144	270,044	-	-
<b>Excess of Revenue Over (Under) Expenditures</b>	(407,231)	43,406	(269,760)	-	202,016
<b>Other Financing Sources - Transfers in</b>	407,231	46,669	240,787	-	-
<b>Net Change in Fund Balances</b>	-	90,075	(28,973)	-	202,016
<b>Fund Balances (Deficits) - Beginning of year</b>	-	(90,075)	28,973	-	-
<b>Fund Balances - End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,016</u>

**Other Supplementary Information  
Combining Statement of Revenue,  
Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2008**

Capital  
Projects Fund

<u>Building and Site</u>	<u>Total</u>
\$ 1,432	\$ 656,257
-	438,028
-	376,144
-	200,000
-	69,820
-	224
-	2,178
-	1,086,394
1,432	(430,137)
-	694,687
1,432	264,550
110,796	49,694
<b><u>\$ 112,228</u></b>	<b><u>\$ 314,244</u></b>



# Algonac Community Schools

## Other Supplementary Information Schedule of Bonded Indebtedness June 30, 2008

Year Ending June 30	2008 School			
	2004 Energy		Building and Site	
	Durant Bonds	1993 Bonds	Bonds	Bonds
	Principal	Principal	Principal	Principal
2009	\$ 54,467	\$ 983,472	\$ 210,000	\$ -
2010	19,913	-	215,000	630,000
2011	20,861	-	225,000	655,000
2012	21,853	-	240,000	685,000
2013	22,894	-	250,000	705,000
2014	-	-	260,000	725,000
2015	-	-	270,000	725,000
2016	-	-	-	795,000
2017	-	-	-	825,000
2018	-	-	-	860,000
2019	-	-	-	900,000
2020	-	-	-	935,000
2021	-	-	-	970,000
2022	-	-	-	1,010,000
2023	-	-	-	1,055,000
2024	-	-	-	1,100,000
2025	-	-	-	1,150,000
2026	-	-	-	1,200,000
2027	-	-	-	1,255,000
2028	-	-	-	1,320,000
Total	<u>\$ 139,988</u>	<u>\$ 983,472</u>	<u>\$ 1,670,000</u>	<u>\$ 17,500,000</u>
Principal payments due	May 15	May 1	May 1	May 1
Interest payments due	May 15	May 1	May 1	May 1, Nov 1
Interest rate	4.76%	5.3%	3.00% to 4.10%	3.00% to 5.25%
Original issue	<u>\$ 341,552</u>	<u>\$ 9,737,257</u>	<u>\$ 2,240,000</u>	<u>\$ 17,500,000</u>

# **Algonac Community Schools**

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**Federal Awards  
Supplemental Information  
June 30, 2008**

# Algonac Community Schools

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## Independent Auditor's Report

To the Board of Education  
Algonac Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Algonac Community Schools as of and for the year ended June 30, 2008, which collectively comprise Algonac Community Schools' basic financial statements, and have issued our report thereon dated October 20, 2008. Those basic financial statements are the responsibility of the management of Algonac Community Schools. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Algonac Community Schools' basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The information in this schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

October 20, 2008

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards*

To the Board of Education  
Algonac Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Algonac Community Schools as of and for the year ended June 30, 2008, which collectively comprise Algonac Community Schools' basic financial statements, and have issued our report thereon dated October 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Algonac Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Algonac Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Algonac Community Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Education  
Algonac Community Schools

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Algonac Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 20, 2008

Report on Compliance with Requirements Applicable to Each Major Program  
and on Internal Control Over Compliance in Accordance  
with OMB Circular A-133

To the Board of Education  
Algonac Community Schools

### Compliance

We have audited the compliance of Algonac Community Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008. The major federal program of Algonac Community Schools is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Algonac Community Schools' management. Our responsibility is to express an opinion on Algonac Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Algonac Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Algonac Community Schools' compliance with those requirements.

In our opinion, Algonac Community Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

## **Internal Control Over Compliance**

The management of Algonac Community Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Algonac Community Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 20, 2008



# Algonac Community Schools

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Federal Funds/ Payments In-kind Received	Accrued (Deferred) Revenue at June 30, 2008
Clusters:						
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:						
National School Breakfast Program - 2007-2008	10.553	\$ 14,735	\$ -	\$ -	\$ 14,735	\$ 14,735
National School Lunch Program - 2007-2008	10.555	81,706	-	-	81,706	81,706
Total Child Nutrition Cluster		96,441	-	-	96,441	96,441
Special Education Cluster - U.S. Department of Education - Passed through the St. Clair County ISD:	84.027					
IDEA:						
Project number 070450-0607		389,579	389,579	104,910	104,910	-
Project number 080450-0708		421,260	-	-	304,219	407,764
Total IDEA		810,839	389,579	104,910	409,129	407,764
CRC/TMT - 2007-2008	84.027A	2,080	-	-	1,975	1,975
CIMS Service Provider Self Review Grant - Project number 070440-0607	84.027A	4,500	4,500	4,500	4,500	-
Preschool incentive:	84.173					
Project number 070460-0607		14,183	14,183	2,866	2,866	-
Project number 080460-0708		15,053	-	-	8,901	15,053
Total Preschool Incentive		29,236	14,183	2,866	11,767	15,053
Total Special Education Cluster		846,655	408,262	112,276	427,371	424,792

# Algonac Community Schools

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
Clusters (Continued):							
Medicaid Cluster - U.S. Department of Health and Human Services -							
Passed through the St. Clair County ISD - Pupil transportation:	93.778						
2006-2007		\$ 806	\$ 806	\$ 803	\$ -	\$ -	\$ 803
2006-2007 Medicaid Outreach		-	-	-	-	-	-
2007-2008		1,296	-	-	648	648	-
2007-2008 Medicaid Outreach		130,741	-	-	65,371	65,371	-
Total Medicaid Cluster		132,843	806	803	66,019	66,019	803
Other federal awards:							
U.S. Department of Education:							
Direct program - Title IV - Indian Education - Project number S060A070895	84.060A	22,542	-	-	14,354	22,542	8,188
Passed through the Michigan Department of Education:							
Title I:	84.010						
Project number 081530-0708		309,453	-	-	256,269	279,646	23,377
Project number 061530 C/O 2005-2006		97,045	97,045	13,703	13,703	-	-
Project number 071530-0607		285,918	187,670	69,354	163,666	94,312	-
Total Title I		692,416	284,715	83,057	433,638	373,958	23,377
Title V - Innovative Education Program Strategies:	84.298						
Project number 080250-0708		462	-	-	462	462	-
Project number 070250-0607		484	484	484	484	-	-
Total Title V		946	484	484	946	462	-

# Algonac Community Schools

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
Other federal awards (Continued):							
U.S. Department of Education (Continued):							
Passed through the Michigan Department of Education (Continued):							
Title II A - Improving Teacher Quality:	84.367						
Project number 080520-0708		\$ 119,487	\$ -	\$ -	\$ 84,170	\$ 86,976	\$ 2,806
Project number 070520-0607		<u>117,988</u>	<u>98,251</u>	<u>29,909</u>	<u>41,264</u>	<u>11,355</u>	<u>-</u>
Total Title II A - Improving Teacher Quality		237,475	98,251	29,909	125,434	98,331	2,806
Title II D - Technology Literacy Challenge Grants -							
Project number 084290-0708	84.318	<u>2,908</u>	<u>-</u>	<u>-</u>	<u>235</u>	<u>235</u>	<u>-</u>
Total passed through the Michigan Department of Education		933,745	383,450	113,450	560,253	472,986	26,183
Passed through the St. Clair County ISD - Safe and Drug-free Schools and Communities Act - Project number 082860-0708	84.186	<u>9,233</u>	<u>-</u>	<u>-</u>	<u>7,014</u>	<u>7,089</u>	<u>75</u>
Total U.S. Department of Education		965,520	383,450	113,450	581,621	502,617	34,446
U.S. Department of Agriculture - Passed through the Michigan Department of Education - Food Distribution - Entitlement commodities - 2007-2008	10.550	<u>43,323</u>	<u>-</u>	<u>-</u>	<u>43,323</u>	<u>43,275</u>	<u>(48)</u>
Total federal awards		<u>\$ 2,084,782</u>	<u>\$ 792,518</u>	<u>\$ 226,529</u>	<u>\$ 1,214,775</u>	<u>\$ 1,133,144</u>	<u>\$ 144,898</u>

# **Algonac Community Schools**

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## **Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2008**

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 1,175,207
Less deferred revenue previously reported on the schedule of expenditures of federal awards	<u>(42,063)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><b>\$ 1,133,144</b></u>

# **Algonac Community Schools**

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## **Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008**

### **Note 1 - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Algonac Community Schools and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### **Note 2 - Noncash Assistance**

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

### **Note 3 - Grant Section Auditor's Report**

Management has utilized Form R-7120 and the cash management system (CMS) grant auditor report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

# Algonac Community Schools

## Schedule of Findings and Questioned Costs Year Ended June 30, 2008

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
84.027, 84.027A, 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

# **Algonac Community Schools**

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## **Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008**

### **Section II - Financial Statement Audit Findings**

None

### **Section III - Federal Program Audit Findings**

None

# **Algonac Community Schools**

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**Report to the Board of Education  
June 30, 2008**



To the Board of Education  
Algonac Community Schools  
1216 St. Clair Blvd.  
Algonac, MI 48001

We have recently completed our audit of the basic financial statements of Algonac Community Schools (the "School District") for the year ended June 30, 2008. In addition to our audit report, we are providing the following required audit communication, recommendations, and informational comments which impact the School District:

	<u>Page</u>
<b>Informational Items and Recommendations</b>	1-3
<b>Report on the Results of the Audit Process</b>	4-8

We are grateful for the opportunity to be of service to Algonac Community Schools. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Very truly yours,

**Plante & Moran, PLLC**

  
Mark R. Fleischer

cc: Mr. Michael Sharrow, Superintendent  
Ms. Lori Holderby, Director of Business Services

- Time for the School District to work out financial changes without the need for sudden or drastic reactions to adverse circumstances
- Mitigating the challenges of funding caps imposed by school finance reform, as experienced over the last few years, and continuing concerns over the financial health of the School Aid Fund
- Assisting with the burden of fringe benefits, energy, and other cost increases
- Alleviating continued cash flow concerns due to the receipt of over 18 percent of the School District's state aid after the school year has ended. The School District "lives on" fund balance until the first state aid payment at the end of October.

Prudent budget planning and fund balance management will continue to be essential elements for School District success.

### **Federal Awards**

We have audited the District's compliance with U.S. Office of Management and Budget (OMB) Circular A-133 applicable to its federal financial assistance programs, which included funding of approximately \$1,133,000 in 2007-2008. The Schools District's federal awards supplemental information report has been submitted to the board under separate cover.

### **Public Act 106 of 2007 - Public Employees' Health Benefit Act**

In October 2007, the State of Michigan enacted the Public Employees' Health Benefit Act. This act was intended to promote greater opportunities for public school districts to control the escalating costs of health benefits provided to school district staff. The act provides for changes in three areas:

- Mandates solicitation of competitive bids for health insurance at least once every three years, or when a plan is enacted or substantially modified
- Mandates the release of individual district claims data by existing providers
- Allows for school districts to form and participate in health insurance pools

The act is not intended to replace a school district's collective bargaining activities, but has created many more alternatives to the programs currently used in most school districts. We encourage you to explore the cost-saving options now available. We would be happy to assist you in evaluating your best options to provide optimal health coverage for your staff at competitive prices.

### **Bank Reconciliation Process**

Based on our review procedures related to the bank reconciliation process we noted sign-offs by an individual other than the preparer. However, in addition the sign-off by a reviewer, we recommend the preparer also sign-off and date the bank reconciliation upon completion.

## **Contract Bidding**

Based on the ongoing District wide construction projects, we would like to remind the Board that the bidding process is required for all contracts for non-service items regardless of the fact if the contract relates to a sole-source provider.

## **Information Technology System**

During our review of general controls over the Information Technology system, the following items came to our attention:

- New User Access, Access Termination and Access Changes – An informal process (i.e. phone calls, e-mails, etc.) for notifying the IT department of new users, terminated users, and user changes is in place, however, we recommend a formal process be implemented through a paper or electronic form that documents access changes and necessary approvals.
- User Access Review - We noted that no formal process exists to periodically review user access levels with supervisors to confirm appropriateness. We recommend that an annual review should be conducted and access levels should be reviewed by supervisors over their respective staff.
- Authentication Controls – Our review indicated that passwords currently do not expire. We recommend a password expiration of a maximum 90 days and the use of password complexity (i.e. combination of upper case, letters, numbers, etc.). In addition, we recommend a maximum of 3 unsuccessful log-in attempts and a 15-30 minute time-out after 3<sup>rd</sup> unsuccessful log-in attempt.
- Back-up Control Procedures – Back-ups should be rotated to an off-site location at least five miles away to protect from any disaster at the primary location. The back-up should be transported in a protected case and maintained in the proper environment. In addition, back-up tapes should be pro-actively tested at least annually to ensure that an effective recovery can be made from the tapes.
- Physical Security - We noted that smoke detectors and fire suppression devices are not located in the data center. We recommend that smoke detectors and fire suppression devices (i.e. fire extinguishers, FM 200 system) should be in place in the data center in order to minimize the damage caused by fire.

## Report on the Results of the Audit Process

October 20, 2008

To the Board of Education  
Algonac Community Schools

We have audited the financial statements of Algonac Community Schools for the year ended June 30, 2008, and have issued our report thereon dated October 20, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated May 19, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the School District. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the School District's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under those *Government Auditing Standards*, we have made some assessments of School District's compliance with certain provisions of laws, regulations, contracts and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated October 20, 2008 regarding our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements.

We also are obligated to communicate certain matters related to our audit to those responsible for the governance of the School District, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make

disclosures regarding these acts to applicable government agencies. No such disclosures were required.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters and a letter regarding the same on September 3, 2008.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the School District are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2008. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred. The disclosures in the financial statements are neutral, consistent, and clear.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no significant estimates affecting the financial statements.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule (Attachment I) summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated October 20, 2008.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

In the normal course of our professional association with the School District we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the School District, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the School District's auditors.

As required by OMB Circular A-133 we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the Board of Education in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133 dated October 20, 2008.

In addition to the comments and recommendations in this letter, our observations and comments regarding the School District's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards. This report is included in the supplemental schedule of federal awards (single audit report), and we recommend that the matters we have noted there receive your careful consideration.

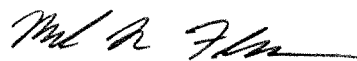
October 20, 2008

**Other Information in Documents Containing Audited Financial Statements**

Our responsibility relates to the School District's financial statements and other information as identified in the auditor's report. We have no responsibility for any other information that may be included in documents containing those audited statements. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. We read the Management's Discussion and Analysis and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

This information is intended solely for the use of the Board of Education and management of Algonac Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,  
PLANTE & MORAN, PLLC



Mark R. Fleischer

cc: Mr. Michael Sharrow, Superintendent  
Ms. Lori Holderby, Director of Business Services

## SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

		Increases (Decreases)						
Ref. #	Description of Misstatement	Current Assets	Long-Term Assets	Current Liabilities	Long-Term Liabilities	Net Assets	Revenue	Expenses
<b>KNOWN MISSTATEMENTS:</b>								
A1	To adjust recorded accrual (cushion) amount for MPSERS @ year end.	-	-	(28,301)	-	-	-	(28,301)
A2		-	-	-	-	-	-	
<b>ESTIMATE ADJUSTMENTS:</b>								
B1	None	-	-	-	-	-	-	-
B2		-	-	-	-	-	-	-
<b>IMPLIED ADJUSTMENTS</b>								
C1	None	-	-	-	-	-	-	-
C2		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
	Combined Effect – Before Income Taxes	-	-	(28,301)	-	-	-	(28,301)
	Effect of Income Taxes	-	-	-	-	-	-	-
	Total	\$ -	\$ -	\$ (28,301)	\$ -	\$ -	\$ -	\$ (28,301)